

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name Sebewaing Harbor Commission	County Huron
Audit Date 3/31/04	Opinion Date 6/10/04	Date Accountant Report Submitted to State: 12/22/04	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			✓
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGR).			✓

Certified Public Accountant (Firm Name) Nietzke & Faupel, P.C.			
Street Address 7274 Hartley Street	City Pigeon	State MI	ZIP 48755
Accountant Signature <i>Brian Hazen, CPA</i>		Date <i>12/22/04</i>	

**SEBEWAING HARBOR COMMISSION
SEBEWAING, MICHIGAN**

**FINANCIAL REPORT
MARCH 31, 2004**

SEBEWAING HARBOR COMMISSION

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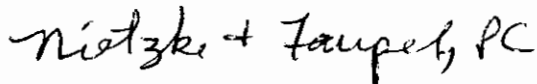
REPORT OF INDEPENDENT AUDITORS

To the Honorable Board of Commissioners
Sebewaing Harbor Commission
Sebewaing, Michigan 48759

We have audited the accompanying balance sheets of the Marina Fund of the Sebewaing Harbor Commission, Sebewaing, Michigan as of March 31, 2004 and 2003, and the related statements of revenue, expenses and change in retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Sebewaing Harbor Commission, Sebewaing, Michigan management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Marina Fund of the Sebewaing Harbor Commission, Sebewaing, Michigan as of March 31, 2004 and 2003, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.



NIETZKE & FAUPEL, P.C.
SEBEWAING, MICHIGAN

June 10, 2004

FINANCIAL STATEMENTS OF THE MARINA FUND

SEBEWAING HARBOR COMMISSION

BALANCE SHEETS MARINA FUND

	<u>MARCH 31,</u>	
	<u>2004</u>	<u>2003</u>
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash	\$ 1,421	\$ 3,664
Due from Sebewaing Township	974	870
TOTAL CURRENT ASSETS	<u>2,395</u>	<u>4,534</u>
FIXED ASSETS	178,440	103,340
TOTAL ASSETS	<u><u>\$ 180,835</u></u>	<u><u>\$ 107,874</u></u>
<u>LIABILITIES AND FUND EQUITY</u>		
LIABILITIES:		
Due to Village of Sebewaing	\$ 15,366	\$ 17,505
Deferred Revenue	221	221
TOTAL LIABILITIES	<u>15,587</u>	<u>17,726</u>
FUND EQUITY:		
Contributed Capital	165,248	90,148
TOTAL LIABILITIES AND FUND EQUITY	<u><u>\$ 180,835</u></u>	<u><u>\$ 107,874</u></u>

SEBEWAING HARBOR COMMISSION
STATEMENTS OF REVENUE, EXPENSES AND
CHANGE IN RETAINED EARNINGS
MARINA FUND

	YEARS ENDED	
	<u>MARCH 31,</u>	
	<u>2004</u>	<u>2003</u>
REVENUE	\$ -	\$ -
EXPENSES:		
Audit fees	350	600
Professional services	792	12,500
Repairs and maintenance	1,750	
Utilities	430	
Miscellaneous	594	170
Capital outlay	611	2,614
TOTAL OPERATING EXPENSES	4,527	15,884
NET (LOSS) BEFORE NONOPERATING REVENUE	(4,527)	(15,884)
NONOPERATING REVENUE:		
Contributions	4,277	770
Donations	250	
State grant	-	15,114
TOTAL NONOPERATING REVENUE	4,527	15,884
NET INCOME	-	-
RETAINED EARNINGS - BEGINNING	-	-
RETAINED EARNINGS - ENDING	\$ -	\$ -

The accompanying notes are an integral
part of the financial statements.

SEBEWAING HARBOR COMMISSION

**STATEMENTS OF CASH FLOWS
MARINA FUND**

	YEARS ENDED	
	<u>MARCH 31,</u>	
	<u>2004</u>	<u>2003</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Reconciliation of net income to net cash provided (used) by operating activities:		
Net Income	\$ -	\$ -
(Decrease) in due to Village of Sebewaing	(2,139)	(385)
Increase in deferred revenue	-	221
(Increase) decrease in due from Sebewaing Township	(104)	294
Decrease in due from State	-	2,259
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(2,243)</u>	<u>2,389</u>
NET INCREASE (DECREASE) IN CASH	<u>(2,243)</u>	<u>2,389</u>
CASH - BEGINNING OF THE YEAR	3,664	1,275
CASH - END OF THE YEAR	<u>\$ 1,421</u>	<u>\$ 3,664</u>

SEBEWAING HARBOR COMMISSION

NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2004 AND 2003

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Reporting Entity:

The financial statements of the Sebewaing Harbor Commission consists only of the funds of the marina. The Sebewaing Harbor Commission has no oversight responsibility for any other governmental entity since no other entities are considered to be controlled by or dependent on the Sebewaing Harbor Commission. Control or dependence is determined on the basis of accountability, budget adoption, taxing authority, funding and appointment of the respective governing board.

The Sebewaing Harbor Commission was formed as a joint venture between the Village of Sebewaing and Sebewaing Township for the purpose of planning, acquiring, constructing and operating a community harbor and marina to provide recreational services to the residents of the Village and Township along with the general public. Each governing body appointed three members to create a six member Board of Commissioners. Also, each governing body is equally responsible to provide financial funding to the Harbor Commission until the Commission is self-sufficient. Based on this financial and oversight responsibility being shared equally by the Village of Sebewaing and Sebewaing Township, the Sebewaing Harbor Commission is being treated as a joint venture of the two governing bodies and a separate governmental entity.

During the land acquisition phase, the Village of Sebewaing advanced funds to the Harbor Commission that were used for the purchase of land at the proposed site of the marina. The proceeds of the state grants and Sebewaing Township's share of the local matching funds were used to reimburse the Village for part of the funds advanced. As of March 31, 2004 and 2003, the amount due to the Village of Sebewaing from the Harbor Commission amounted to \$15,366 and \$17,505, respectively. As of March 31, 2004 and 2003, the amount due from Sebewaing Township amounted to \$974 and \$ 870, respectively.

Basis of Presentation:

Proprietary Fund:

Enterprise Fund - The financial activities of the Sebewaing Harbor Commission are recorded in one fund categorized as an Enterprise Fund. Enterprise Funds are of the Proprietary Fund Type and are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenue earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Basis of Accounting:

Basis of accounting refers to when revenue and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made regardless of the measurement focus applied.

The proprietary fund is accounted for using the accrual basis of accounting. Its revenue is recognized when it is earned, and its expenses are recognized when they are incurred.

SEBEWAING HARBOR COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
MARCH 15, 2004 AND 2003

NOTE 2 - CASH AND DEPOSITS:

The carrying amount of cash and deposits with financial institutions of the Sebewaing Harbor Commission amounted to \$1,421 and \$3,664 at March 31, 2004 and 2003, respectively. The bank balance as of the same dates was \$1,421 and \$3,664, respectively. Deposits with financial institutions are insured by the FDIC.

NOTE 3 - SUMMARY OF PROPRIETARY FUND FIXED ASSETS:

Fixed assets of the Harbor Commission consisted of the following:

	<u>March 31, 2003</u>	<u>Additions</u>	<u>March 31, 2004</u>
Land	\$103,340		\$103,340
Marina		\$75,100	75,100
Total fixed assets	<u>\$103,340</u>	<u>\$75,100</u>	<u>\$178,440</u>

The completed marina has been leased to a private operator through the year ended March 31, 2004. The Sebewaing Harbor Commission was to receive rent for the real estate where the marina is located. The Michigan Department of Natural Resources was to receive rent for the facilities which the Department constructed and owns. No rent income was received during the fiscal year ended March 31, 2004.

During the year ended March 31, 2004, the Sebewaing Harbor Commission purchased the marina operating lease from the private operator for \$75,100. For the fiscal year ending March 31, 2005, the marina will be operated by the Sebewaing Harbor Commission.

NOTE 4 - CONTRIBUTED CAPITAL:

The contributed capital of the Harbor Commission consisted of the following:

	<u>March 31,</u>	
	<u>2004</u>	<u>2003</u>
Capital investment – Village of Sebewaing	\$ 82,624	\$45,074
Capital investment – Sebewaing Township	82,624	45,074
Total Contributed Capital	<u>\$165,248</u>	<u>\$90,148</u>

The \$37,550 increase for both the Village of Sebewaing and Sebewaing Township consists of what was paid by each government to finance the purchase of the marina operating lease by the Sebewaing Harbor Commission.